



General Assembly

Substitute Bill No. 4

January Session, 2017

* SB00004ET 032217 *

**AN ACT CONCERNING MUNICIPAL ELECTRIC UTILITY
COOPERATIVES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 7-233c of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2017*):

3 (a) Any two or more municipal electric utilities may, by concurrent
4 resolutions, duly adopted by the governing bodies of each of such
5 municipal electric utilities, create and become members of a municipal
6 electric energy cooperative under the name and style of "the
7 municipal electric energy cooperative", with some identifying phrase
8 inserted. The managing body of the municipal electric energy
9 cooperative shall be a cooperative utility board which shall be charged
10 with carrying out the corporate purposes and powers of the municipal
11 electric energy cooperative. The number of representatives to be
12 appointed at any time for full terms of office [by the governing bodies
13 of such municipal electric utilities] shall be such uniform numbers as
14 may be mutually agreed upon in said resolutions which number shall
15 be not less than two nor more than six for each member, provided one
16 such representative shall be appointed by the legislative body of each
17 municipality in which a member municipal electric utility operates,
18 pursuant to this subsection. After the taking effect of the said
19 resolutions of all such municipal electric utilities and after the filing of

20 certified copies thereof pursuant to subsection (a) of section 7-233d, the
21 agreed number of representatives shall be appointed to the cooperative
22 utility board by the governing body of each municipal electric utility [. The]
23 The] and the legislative body of the municipality in which each
24 municipal electric utility operates, pursuant to this subsection. For
25 representatives appointed by the governing body of each municipal
26 electric utility, the qualification of such representatives, terms of office
27 for the original representatives and their successors and compensation,
28 if any, by the member pursuant to this section or by the municipal
29 electric energy cooperative pursuant to section 7-233p, as amended by
30 this act, shall be prescribed by each such governing body; provided,
31 each representative shall be an official or employee of such municipal
32 electric utility. For each representative appointed by the legislative
33 body of each municipality in which a member municipal electric utility
34 operates, the qualification of such representative, terms of office for the
35 original representative and his or her successors and compensation, if
36 any, by the legislative body or by the municipal electric energy
37 cooperative pursuant to section 7-233p, as amended by this act, shall
38 be prescribed by each such legislative body; provided each such
39 legislative body shall appoint a representative who is a residential or
40 commercial ratepayer of the municipal electric utility that operates in
41 the municipality of such legislative body and who does not hold other
42 official positions in and is not employed by (1) the governing body of
43 such member municipal electric utility, (2) the municipality in which
44 the member municipal electric utility operates, (3) the governing body
45 of any other member, (4) the municipality in which any other member
46 municipal electric utility operates, or (5) the municipal electric energy
47 cooperative. In addition to paying such compensation as may be
48 prescribed pursuant to this section or section 7-233p, as amended by
49 this act, a member may reimburse its representatives for expenses for
50 travel, both within and without the state, incurred by them in
51 connection with services as a designated representative on such board.
52 Before such municipal electric energy cooperative can be validly and
53 legally formed each of the municipalities represented by a municipal
54 electric utility joining together to form the municipal electric energy

55 cooperative must, by proper proceedings duly adopted, consent and
56 agree to such formation of the municipal electric energy cooperative.

57 (b) After the creation of a municipal electric energy cooperative
58 under subsection (a) of this section, any other municipal electric utility
59 may become a member of the municipal electric energy cooperative if
60 (1) the municipal electric utility files with the municipal electric energy
61 cooperative (A) a resolution, duly adopted by its governing body,
62 requesting membership in such cooperative, and (B) a certified copy of
63 the proper proceedings, duly adopted by the municipality represented
64 by the municipal electric utility, consenting and agreeing to such
65 membership, and (2) after the municipal electric energy cooperative
66 receives such filing, the governing bodies of at least two-thirds of the
67 municipal electric utilities comprising the membership of the
68 municipal electric energy cooperative at the time of such filing duly
69 adopt a resolution approving membership of such municipal electric
70 utility in the municipal electric energy cooperative. After the filing of
71 certified copies of all such resolutions with the Secretary of the State
72 pursuant to subsection (b) of section 7-233d, the governing body of the
73 municipal electric utility being added to the municipal electric energy
74 cooperative shall appoint representatives to the cooperative utility
75 board of the municipal electric energy cooperative. The number of
76 such appointed representatives shall be the same as the number
77 mutually agreed upon by the other members of the municipal electric
78 energy cooperative pursuant to subsection (a) of this section. The
79 provisions of said subsection (a) concerning the qualification,
80 compensation and terms of office of, and reimbursement of travel
81 expenses for, representatives of the existing members of the municipal
82 electric energy cooperative shall apply to representatives of such
83 municipal electric utility.

84 (c) A municipal electric utility that is a member of a municipal
85 electric energy cooperative may withdraw from the municipal electric
86 energy cooperative if: (1) Such withdrawing municipal electric utility
87 continues to fully perform all of its obligations under any contract it

88 has with the municipal electric energy cooperative or provides
89 sufficient funds in trust for the benefit of the municipal electric energy
90 cooperative to satisfy such obligations, (2) the withdrawing municipal
91 electric utility files with the municipal electric energy cooperative a
92 resolution, duly adopted by its governing body, approving the
93 withdrawal, and such resolution is filed with the Secretary of the State
94 in the same manner as provided in subsection (c) of section 7-233d,
95 and (3) the municipality represented by the withdrawing municipal
96 electric utility does not disapprove of such withdrawal, by vote of the
97 municipality's legislative body, within thirty days after the adoption of
98 such a resolution.

99 (d) (1) Upon appointment of its representatives by the members of
100 the municipal electric energy cooperative, the cooperative utility board
101 shall organize, select its chairman and vice-chairman from among said
102 board and proceed to consider those matters which have been
103 recommended to it by the several members of the municipal electric
104 energy cooperative.

105 (2) The cooperative utility board may hold such meetings and
106 public hearings as it deems desirable and the powers of the municipal
107 electric energy cooperative shall be vested in the representatives
108 thereof in office from time to time. The cooperative utility board shall
109 hold any such meetings and public hearings in the state. The
110 municipal electric energy cooperative shall post on its Internet web site
111 and provide to participants notice of and the agenda for each meeting
112 and public hearing, and any changes made thereto, not later than five
113 days before such meeting or public hearing. Each participant shall post
114 on its Internet web site and provide to the municipality in which it
115 operates such notice, agenda and changes not later than four days
116 before such meeting or public hearing. Each such municipality shall
117 post on its Internet web site such notice, agenda and changes not later
118 than three days before such meeting or public hearing.

119 (3) A majority of the entire authorized number of representatives of
120 the municipal electric energy cooperative shall constitute a quorum at

121 any meeting thereof. Action may be taken, motions voted and
122 resolutions adopted by the municipal electric energy cooperative at
123 any meeting of the cooperative utility board by vote of a majority of
124 the representatives present, unless in any case the bylaws of a
125 municipal electric energy cooperative or an amendment to such
126 bylaws shall require a larger number for adoption or any
127 representative of the cooperative utility board requests that the vote be
128 based on megawatt-hour purchases. If such a request is made, [(1)] (A)
129 each representative shall have a number of votes equal to the total
130 number of megawatt-hours purchased by the representative's member
131 municipal electric utility from the municipal electric energy
132 cooperative during the preceding completed calendar year, provided,
133 if the municipal electric energy cooperative includes a new member
134 municipal electric utility which purchased part or all of its power and
135 energy from a supplier or suppliers other than the municipal electric
136 energy cooperative during such year, each representative of such new
137 member municipal electric utility shall have a number of votes equal to
138 the total megawatt-hours purchased by such new member from such
139 other suppliers during such year plus the total number of megawatt-
140 hours purchased from the municipal electric energy cooperative
141 during such year, and [(2)] (B) any action, motion or resolution taken,
142 voted or adopted by the municipal electric energy cooperative at such
143 meeting shall be by a favorable vote of sixty-seven per cent or more of
144 the total of such votes of the representatives who are present at the
145 meeting and who vote, provided at least a majority of the members of
146 the municipal electric energy cooperative approves such action,
147 motion or resolution. Notwithstanding any provision of this
148 subsection or of subsection (g) of this section to the contrary, a
149 unanimous vote of all of the representatives of the municipal electric
150 energy cooperative shall be required before said municipal electric
151 energy cooperative can exercise the power of condemnation or
152 eminent domain provided in this chapter.

153 (4) The municipal electric energy cooperative shall post on its
154 Internet web site and provide to participants the minutes of such

155 meeting or public hearing, including any actions taken, motions voted
156 and resolutions adopted, not later than five days after such meeting or
157 public hearing described in subdivision (2) of this subsection. Each
158 participant shall post on its Internet web site and provide to the
159 municipality in which it operates such minutes not later than six days
160 after such meeting or public hearing. Each municipality shall post such
161 minutes on its Internet web site not later than seven days after such
162 meeting or public hearing.

163 (5) The cooperative utility board may appoint and employ a chief
164 executive officer, a treasurer, a secretary, a general counsel and such
165 officers, advisors, consultants and other agents and employees as it
166 may deem necessary, and the cooperative utility board shall determine
167 their qualifications, terms of office, duties and compensation.

168 (e) Organizational expenses incurred by a municipal electric energy
169 cooperative shall be paid ratably by each member in the same
170 proportion as the population or area of operation serviced by each
171 such member bears to the total population or area of operation
172 serviced by all members or by such other method as determined to be
173 fair and equitable by the cooperative utility board. Such payments
174 shall be made by each member whether or not that member utilizes the
175 electric power or energy made available or furnished to such member.

176 (f) Each representative of a municipal electric energy cooperative
177 shall hold office for the term for which he was appointed and until his
178 successor has been appointed and has qualified. A representative of a
179 municipal electric energy cooperative may be removed only by the
180 cooperative utility board for inefficiency or neglect of duty or
181 misconduct in office and after he shall have been given a copy of the
182 charges against him and, not sooner than ten days thereafter, had
183 opportunity in person or by counsel to be heard thereon by such
184 governing body. A member may remove one or more of its
185 representatives with or without cause at any time.

186 (g) A municipal electric energy cooperative may adopt, on a

187 prospective basis, methods of voting for all or specifically designated
188 matters. Any such methods shall be specified in the bylaws of a
189 municipal electric energy cooperative or in an amendment to such
190 bylaws unanimously adopted by the members of the municipal electric
191 energy cooperative. A municipal electric energy cooperative may
192 distinguish the voting rights of its members based on whether a
193 member is a full requirements customer or a partial requirements
194 customer of the municipal electric energy cooperative or based on the
195 term of the contractual obligations for power and transmission supply
196 each member incurs with respect to the municipal electric energy
197 cooperative, provided any such distinctions shall treat similarly
198 situated members in a comparable and nondiscriminatory manner. For
199 purposes of this subsection, "full requirements customer" means a
200 wholesale purchaser of electric power or transmission services whose
201 electric energy supplier is the sole source of long-term firm power, and
202 "partial requirements customer" means a wholesale purchaser of
203 electric power or transmission services that directly owns or operates
204 generating or transmission assets that are insufficient to carry all of
205 such purchaser's electric load and whose electric energy supplier is a
206 supplemental source of long-term firm power.

207 (h) A municipal electric energy cooperative shall cause a forensic
208 audit of its books and all accounts to be conducted annually by an
209 independent auditing firm and in accordance with generally accepted
210 accounting standards. The auditor shall submit (1) a report that
211 includes an opinion regarding the financial statements and a
212 management letter, and (2) a report that includes an opinion on
213 conformance of the operating procedures of the municipal electric
214 energy cooperative with the provisions of chapter 101a and the bylaws
215 of the municipal electric energy cooperative, and any
216 recommendations for any corrective actions needed to ensure such
217 conformance. The municipal electric energy cooperative shall post on
218 its Internet web site and provide to participants such forensic audit
219 report not later than seven days after such forensic audit report is
220 received by the municipal electric energy cooperative. Each participant

221 shall post on its Internet web site and provide to the municipality in
222 which it operates such forensic audit report not later than five days
223 after such forensic audit report is received from the municipal electric
224 energy cooperative. Each such municipality shall post on its Internet
225 web site such forensic audit report not later than five days after such
226 forensic audit report is received from the participant.

227 (i) A municipal electric energy cooperative shall annually provide
228 the following, in accordance with the provisions of section 11-4a, to the
229 joint standing committee of the General Assembly having cognizance
230 of matters relating to energy: (1) A list of the current members and
231 officers of the cooperative utility board described in subsection (d) of
232 this section; (2) a copy of the most recent annual report of the
233 municipal electric energy cooperative; (3) a copy of the most recent
234 audited financial statements, management letter and forensic audit
235 reports of the municipal electric energy cooperative that are required
236 under subsection (h) of this section; (4) a copy of any conflicts of
237 interest policy of the municipal electric energy cooperative; (5) a copy
238 of the municipal electric energy cooperative's most recently filed
239 Internal Revenue Service form 990, including all parts and schedules
240 that are required to be made available for public inspection under the
241 Internal Revenue Code of 1986, or any subsequent corresponding
242 internal revenue code of the United States, as amended from time to
243 time; (6) a copy of the bylaws of the municipal electric energy
244 cooperative; and (7) as to any employee of the municipal electric
245 energy cooperative, a report listing the position of each employee and
246 the amount of the salary, wages and fringe benefit expenses paid to
247 each such employee.

248 (j) If a municipal electric energy cooperative holds a strategic retreat
249 or similar activity, it shall hold such retreat or activity in the state. The
250 cooperative utility board shall approve, at a meeting, such retreat or
251 activity, including the location, the purpose, planned participants, any
252 entertainment and any gifts of value. Such retreat or activity shall
253 include meetings to conduct business and the municipal electric

254 energy cooperative shall provide to the cooperative utility board, not
 255 later than five days after such retreat or activity, an agenda, a list of
 256 attendees and the meeting minutes. Such retreat or activity shall not
 257 include any entertainment or gifts of value other than that approved
 258 by the cooperative utility board.

259 Sec. 2. Section 7-233p of the general statutes is repealed and the
 260 following is substituted in lieu thereof (*Effective October 1, 2017*):

261 If the members of a municipal electric energy cooperative and the
 262 legislative bodies of the municipalities are not paying compensation to
 263 their representatives pursuant to subsection (a) of section 7-233c, as
 264 amended by this act, such municipal electric energy cooperative may
 265 reimburse its representatives for necessary expenses incurred in the
 266 discharge of their duties and pay such reasonable, uniformly
 267 applicable compensation to such representatives for their service on
 268 the board of such municipal electric energy cooperative as provided in
 269 this section. The concurrent resolutions creating a municipal electric
 270 energy cooperative may provide that the representatives of the
 271 municipal electric energy cooperative may receive annual
 272 compensation for their services within limitations to be stated in such
 273 concurrent resolutions and in that event, each representative may
 274 receive from the municipal electric energy cooperative such
 275 compensation for his services as the municipal electric energy
 276 cooperative may determine within the limitations stated in such
 277 concurrent resolutions. Said provisions or limitations stated in any
 278 such resolutions may be amended by subsequent concurrent
 279 resolutions, but no reduction of any such limitation shall be effective as
 280 to any representative of the municipal electric energy cooperative then
 281 in office except upon the written consent of such representative.

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| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>October 1, 2017</i> | 7-233c |
| Sec. 2 | <i>October 1, 2017</i> | 7-233p |

Statement of Legislative Commissioners:

Throughout the bill, "municipal cooperative" was changed to "municipal electric energy cooperative", for consistency.

ET *Joint Favorable Subst.*